

COMMENTS On paper “Counterfactual Decomposition Analysis Malaysia DP 2011 – 51”

First, from the Abstract, the authors’ statement -- “ Human capital theory describes wage determination as a function of labour human capital and should be determined based on marginal productivity theorem of labour economics. Islamic theology also dictates paying labour well in time and equal to their productivity not based on his colour, race, gender, nationality health status and other non-economic factors.” -- appears to (1) confirm that analysis in labor economics has based on some universal values and patterns of labor markets, and (2) suggest that Islamic theology may not affect much those universal values and patterns. The second point may need more research, and it is out of discussion, or comment, here.

Secondly, the data tables seem having quite good information on many aspects. But, one particular issue with the empirical work here is the inclusion of spatial variables with other explanatory variables. Since I do not have the raw data or the working datasets, there is not much to be said. Although the usual way to use spatial data is dummy variables, one approach is to separate spatial variables and explanatory variables into different set of OLS equations. I do not know if the data can be used in this sense. This approach may help to see if the spatial variables might influence the OLS and desired quantile regressions.

Thirdly, the explanatory variables on labor skills may not apply well to immigrants. Because there are a lot more constraints for immigrant labors than native. How to measure such constraints is very difficult.

Fourthly, another issue which seems either confusing or overlapping is the variables “Skilled, Unskilled” and other variables for “professional certificate, foreign degree, professional, etc.” It is quite unclear how the latter variables relate to the former general categories of “Skilled and Unskilled”. Furthermore, immigrant labors probably are likely to possess “foreign degree”. Those are confusing at least, and it is unclear if the methods to measure such “skills” would affect the data.

Fifthly, the analysis here seems somewhat partial in the sense that the empirical data in use is for manufacturing and services. A blind surmise here is that other sectors have less demand for immigrant labors – partially, the blind guess is sort of “reverse engineering” from the conclusion of the paper for labors of higher wages. The underlying issue here is the “openness” of labor markets in those sectors toward immigrant labors. This is related to the third point above. Wages, skills, education are only proxies for general explanation; but the relative measurements of how, to what extent and how far immigrant labors would participate the labor markets seem not being paid adequate attention here.

Sixthly, some simple or summary description of the composition of empirical data in use is desirable here; because such description might help to understand and relate to the results of the regression.

Final remarks: the conclusions of the paper seem to be another empirical evidence of existence of discrimination in labor markets. It also confirms that, there needs more works on measurement or analytical methods on such discrimination in labor markets.

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